

**ST. MARY PARISH WATER
AND SEWER COMMISSION NO. 4**
Charenton, Louisiana

Financial Report

Year Ended September 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **APR 18 2012**

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
 St. Mary Parish Water and Sewer Commission No. 4
 Charenton, Louisiana

We have audited the accompanying financial statements of the business-type activities and each major fund of St. Mary Parish Water and Sewer Commission No. 4 (hereinafter "Commission"), a component unit of the Parish of St. Mary, as of and for the year ended September 30, 2011, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Commission, as of September 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2012, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The comparative financial statements on pages 29 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial statements as of and for the year ended September 30, 2011 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements for the year ended September 30, 2011, taken as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States, the financial statements of St. Mary Parish Water and Sewer Commission No. 4, Waterworks District No. 6 of the Parish of St. Mary, and Sewerage District No. 9 of the Parish of St. Mary as of and for the year ended September 30, 2010, which are not presented with the accompanying financial statements. In our reports dated March 22, 2011, we expressed unqualified opinions on the respective financial statements of each entity's business-type activities. In our opinion, the financial statements as of and for the year ended September 30, 2010 are fairly stated in all material respects in relation to the basic financial statements for the year ended September 30, 2010, taken as a whole. The other supplementary information on pages 40 through 43 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The Commission has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City Louisiana
March 13, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ST MARY PARISH WATER AND SEWER COMMISSION NO 4

Charenton, Louisiana

Statement of Net Assets

September 30, 2011

	<u>Business-type Activities</u>
ASSETS	
Current assets	
Cash and interest-bearing deposits	\$ 441,171
Receivables	
Accounts	159,662
Due from other governmental units	11,862
Prepaid expenses	24,475
Restricted assets	
Cash and interest-bearing deposits	<u>636,799</u>
Total current assets	<u>1,273,969</u>
Noncurrent assets	
Restricted assets	
Cash and interest-bearing deposits	146,433
Capital assets	
Capital asset not being depreciated	569,483
Capital assets, net of accumulated depreciation	<u>10,997,917</u>
Total noncurrent assets	<u>11,713,833</u>
Other assets	
Deferred bond issue costs, net	<u>20,906</u>
Total assets	<u>\$ 13,008,708</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Statement of Net Assets (continued)
September 30, 2011

LIABILITIES AND NET ASSETS	<u>Business-type Activities</u>
Current liabilities	
Accounts payable	\$ 61,660
Accrued liabilities	24,657
Accrued interest	8,274
Current maturities of bonds payable	218,052
Due to other governmental units	47,099
Payable from restricted assets	
Current maturities of bonds payable	60,000
Accrued interest	5,294
Refundable deposits	136,092
Total current liabilities	<u>561,128</u>
Noncurrent liabilities	
Bonds payable	4,379,089
Compensated absences	89,685
Total noncurrent liabilities	<u>4,468,774</u>
Total liabilities	<u>5,029,902</u>
Net assets	
Invested in capital assets, net of related debt	7,301,438
Restricted for debt service	348,713
Unrestricted	328,655
Total net assets	<u>7,978,806</u>
Total liabilities and net assets	<u>\$ 13,008,708</u>

The accompanying notes are an integral part of this statement

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Statement of Activities
Year Ended September 30, 2011

	<u>Business-type Activities</u>
OPERATING REVENUES	
Ad valorem taxes, net	\$ 473,855
Water sales	866,644
Sewer user and inspection fees	378,805
Commissions and fees for services	37,682
Miscellaneous	<u>922</u>
Total operating revenues	<u>1,757,908</u>
OPERATING EXPENSES	
Salaries and related benefits	681,485
Supplies and materials	8,454
Operation and maintenance	332,546
Other services and charges	171,525
Plant operation	276,528
Depreciation	<u>797,749</u>
Total operating expenses	<u>2,268,287</u>
Operating loss	<u>(510,379)</u>
NONOPERATING REVENUES (EXPENSES)	
Ad valorem taxes, net	368,462
Bond interest and fiscal charges	(160,303)
Bond issue costs	(1,435)
Interest expense	(44,161)
Interest income	5,774
Intergovernmental revenue	11,862
Miscellaneous income	<u>11,873</u>
Total nonoperating revenues (expenses)	<u>192,072</u>
Net loss	(318,307)
 NET ASSETS, beginning	 <u>8,297,113</u>
NET ASSETS, ending	<u>\$ 7,978,806</u>

The accompanying notes are an integral part of this statement

FUND FINANCIAL STATEMENTS

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Balance Sheet
September 30, 2011

ASSETS	<u>Operating</u>	<u>Waterworks District No 6</u>	<u>Sewerage District No 9</u>	<u>Total</u>
Current assets				
Cash and interest-bearing deposits	\$ 212,633	\$ 227,938	\$ 600	\$ 441,171
Receivables				
Accounts	159,662	-	-	159,662
Due from other funds	-	133,587	5,403	138,990
Due from other governmental units	11,862	-	-	11,862
Prepaid expenses	24,475	-	-	24,475
Restricted assets				
Cash and interest-bearing deposits	<u>527,605</u>	<u>49,420</u>	<u>59,774</u>	<u>636,799</u>
Total current assets	<u>936,237</u>	<u>410,945</u>	<u>65,777</u>	<u>1,412,959</u>
Noncurrent assets				
Restricted assets				
Cash and interest-bearing deposits	75,775	70,658	-	146,433
Capital assets				
Capital assets not being depreciated	562,557	6,926	-	569,483
Capital assets, net of accumulated depreciation	<u>1,255,339</u>	<u>4,121,120</u>	<u>5,621,458</u>	<u>10,997,917</u>
Total noncurrent assets	<u>1,893,671</u>	<u>4,198,704</u>	<u>5,621,458</u>	<u>11,713,833</u>
Other assets				
Deferred bond issue costs, net	<u>20,906</u>	<u>-</u>	<u>-</u>	<u>20,906</u>
Total assets	<u>\$2,850,814</u>	<u>\$4,609,649</u>	<u>\$5,687,235</u>	<u>\$13,147,698</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Balance Sheet (continued)
September 30, 2011

	<u>Operating</u>	<u>Waterworks District No 6</u>	<u>Sewerage District No 9</u>	<u>Total</u>
LIABILITIES AND NET ASSETS				
Current liabilities				
Accounts payable	\$ 61,660	\$ -	\$ -	\$ 61,660
Accrued liabilities	24,657	-	-	24,657
Accrued interest	-	8,274	-	8,274
Current maturities of bonds payable	-	201,560	16,492	218,052
Due to other funds	138,990	-	-	138,990
Due to other governmental units	47,099	-	-	47,099
Payable from restricted assets				
Current maturities of bonds payable	60,000	-	-	60,000
Accrued interest	5,294	-	-	5,294
Refundable deposits	38,046	98,046	-	136,092
Total current liabilities	<u>375,746</u>	<u>307,880</u>	<u>16,492</u>	<u>700,118</u>
Noncurrent liabilities				
Bonds payable	1,305,000	2,117,831	956,258	4,379,089
Compensated absences	24,800	64,885	-	89,685
Total noncurrent liabilities	<u>1,329,800</u>	<u>2,182,716</u>	<u>956,258</u>	<u>4,468,774</u>
Total liabilities	<u>1,705,546</u>	<u>2,490,596</u>	<u>972,750</u>	<u>5,168,892</u>
Net assets				
Invested in capital assets, net of related debt	844,075	1,808,655	4,648,708	7,301,438
Restricted for debt service	168,861	120,078	59,774	348,713
Unrestricted	132,332	190,320	6,003	328,655
Total net assets	<u>1,145,268</u>	<u>2,119,053</u>	<u>4,714,485</u>	<u>7,978,806</u>
Total liabilities and net assets	<u>\$ 2,850,814</u>	<u>\$ 4,609,649</u>	<u>\$ 5,687,235</u>	<u>\$ 13,147,698</u>

The accompanying notes are an integral part of this statement

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2011

	<u>Operating</u>	<u>Waterworks District No 6</u>	<u>Sewerage District No 9</u>	<u>Total</u>
OPERATING REVENUES				
Ad valorem taxes, net	\$ 473,855	\$ -	\$ -	\$ 473,855
Water sales	866,644	-	-	866,644
Sewer user and inspection fees	378,805	-	-	378,805
Commission and fees for services	37,682	-	-	37,682
Miscellaneous	<u>-</u>	<u>-</u>	<u>922</u>	<u>922</u>
Total operating revenues	<u>1,756,986</u>	<u>-</u>	<u>922</u>	<u>1,757,908</u>
OPERATING EXPENSES				
Salaries and related benefits	681,485	-	-	681,485
Supplies and materials	8,454	-	-	8,454
Operation and maintenance	332,546	-	-	332,546
Other services and charges	162,444	9,081	-	171,525
Plant operation	276,528	-	-	276,528
Depreciation	<u>80,759</u>	<u>347,231</u>	<u>369,759</u>	<u>797,749</u>
Total operating expenses	<u>1,542,216</u>	<u>356,312</u>	<u>369,759</u>	<u>2,268,287</u>
Operating income (loss)	<u>214,770</u>	<u>(356,312)</u>	<u>(368,837)</u>	<u>(510,379)</u>
NONOPERATING REVENUES (EXPENSES)				
Ad valorem taxes, net	108,437	260,025	-	368,462
Bond interest and fiscal charges	(55,401)	(104,902)	-	(160,303)
Bond issue costs	(1,435)	-	-	(1,435)
Interest expense	-	-	(44,161)	(44,161)
Interest income	4,122	1,652	-	5,774
Intergovernmental revenue	11,862	-	-	11,862
Miscellaneous income	<u>11,873</u>	<u>-</u>	<u>-</u>	<u>11,873</u>
Total nonoperating revenues (expenses)	<u>79,458</u>	<u>156,775</u>	<u>(44,161)</u>	<u>192,072</u>
Income (Loss) before operating transfers	294,228	(199,537)	(412,998)	(318,307)
Transfers in	-	56,895	67,373	124,268
Transfers out	<u>(124,268)</u>	<u>-</u>	<u>-</u>	<u>(124,268)</u>
Change in net assets	169,960	(142,642)	(345,625)	(318,307)
NET ASSETS, beginning	<u>975,308</u>	<u>2,261,695</u>	<u>5,060,110</u>	<u>8,297,113</u>
NET ASSETS, ending	<u>\$1,145,268</u>	<u>\$ 2,119,053</u>	<u>\$ 4,714,485</u>	<u>\$ 7,978,806</u>

The accompanying notes are an integral part of this statement

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Statement of Cash Flows
Year Ended September 30, 2011

	<u>Operating</u>	<u>Waterworks District No 6</u>	<u>Sewerage District No 9</u>	<u>Total</u>
OPERATING ACTIVITIES				
Revenue collected	\$ 1,258,313	\$ -	\$ 922	\$1,259,235
Ad valorem tax receipts	482,225	-	-	482,225
Payments for goods and services	(1,037,056)	(9,081)	-	(1,046,137)
Payments to employees	<u>(675,765)</u>	<u>-</u>	<u>-</u>	<u>(675,765)</u>
Net cash provided (used) by operating activities	<u>27,717</u>	<u>(9,081)</u>	<u>922</u>	<u>19,558</u>
NONCAPITAL FINANCING ACTIVITIES				
Proceeds from customer deposits	13,850	-	-	13,850
Miscellaneous receipts	11,873	-	-	11,873
Receipts from other funds	42,909	56,895	67,373	167,177
Payments to other funds	(124,268)	(37,505)	(5,403)	(167,176)
Receipts from nonoperating taxes	<u>108,437</u>	<u>260,282</u>	<u>-</u>	<u>368,719</u>
Net cash provided by noncapital financing activities	<u>52,801</u>	<u>279,672</u>	<u>61,970</u>	<u>394,443</u>
CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(125,539)	-	-	(125,539)
Intergovernmental revenue	6,054	-	-	6,054
Interest and fiscal charges paid	(55,610)	(105,429)	(44,161)	(205,200)
Principal payments on bonds	<u>(60,000)</u>	<u>(191,018)</u>	<u>(15,767)</u>	<u>(266,785)</u>
Net cash provided (used) by capital and related financing activities	<u>(235,095)</u>	<u>(296,447)</u>	<u>(59,928)</u>	<u>(591,470)</u>
INVESTING ACTIVITIES				
Interest received	<u>4,122</u>	<u>1,652</u>	<u>-</u>	<u>5,774</u>
Net increase (decrease) in cash and cash equivalents	(150,455)	(24,204)	2,964	(171,695)
Cash and cash equivalents, beginning	<u>966,468</u>	<u>372,220</u>	<u>57,410</u>	<u>1,396,098</u>
Cash and cash equivalents, end	<u>\$ 816,013</u>	<u>\$ 348,016</u>	<u>\$ 60,374</u>	<u>\$1,224,403</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Statement of Cash Flows (continued)
Year Ended September 30, 2011

	<u>Operating</u>	<u>Waterworks District No 6</u>	<u>Sewerage District No 9</u>	<u>Total</u>
Reconciliation of operating income to net cash provided (used) by operating activities				
Operating income (loss)	\$ 214,770	\$ (356,312)	\$(368,837)	\$ (510,379)
Adjustments to reconcile operating income to net cash provided (used) by operating activities-				
Depreciation	80,759	347,231	369,759	797,749
Changes in assets and liabilities				
Increase in receivables	(16,448)	-	-	(16,448)
Increase in prepaid expenses and other assets	(2,981)	-	-	(2,981)
Decrease in accounts payable	(227,025)	-	-	(227,025)
Increase in accrued liabilities	3,940	-	-	3,940
Decrease in due to other governmental entities	(25,298)	-	-	(25,298)
Net cash provided (used) by operating activities	<u>\$ 27,717</u>	<u>\$ (9,081)</u>	<u>\$ 922</u>	<u>\$ 19,558</u>

The accompanying notes are an integral part of this statement

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements

INTRODUCTION

The St Mary Parish Water and Sewer Commission No 4 ("Commission") was created under the provisions of Louisiana Revised Statutes 33 7831 by ordinance issued by the St Mary Parish Council on January 10, 2007. The Commission is authorized to operate, maintain, improve, extend and/or dispose of all works and facilities for water, sewer, and sewerage treatment or disposal facilities and systems within a designated territory of St Mary Parish. The Commission is governed by seven board members appointed by the St Mary Parish Council.

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Commission have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A Financial Reporting Entity

As the governing authority of the parish, for reporting purposes, the St Mary Parish Government is the financial reporting entity for St Mary Parish. The financial reporting entity consists of (a) the primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No 14 established criteria for determining which component units should be considered part of the St Mary Parish Government for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

This criteria includes

- 1 Appointing a voting majority of an organization's governing body, and
 - a) The ability of the Parish to impose its will on that organization and/or
 - b) The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Parish
- 2 Organizations for which the Parish does not appoint a voting majority but are fiscally dependent on the Parish council
- 3 Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship

Because the Parish Council appoints the Commission's governing body, the Commission was determined to be a component unit of the Parish of St. Mary, the financial reporting entity. Also, based upon the criteria described above, Waterworks District No 6 of the Parish of St. Mary and Sewerage District No 9 of the Parish of St. Mary were determined to be components of the Commission and have been blended in these financial statements. The accompanying financial statements present information only on the funds maintained by the Commission and its blended components and do not present information on the Parish Government, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B Basis of Presentation

The accompanying financial statements of the Commission have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Fund Financial Statements

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The proprietary fund is maintained consistent with legal and managerial requirements.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The emphasis in fund financial statements is on major funds. Nonmajor funds, if any, are summarized into a single column. GASB Statement No 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of enterprise funds combined) for the determination of major funds. The Commission may determine as a major fund any fund whose classification as a nonmajor fund may be misleading to the reader. The funds classified as major are as follows:

- 1 Operating fund
- 2 Waterworks District No. 6 enterprise fund
- 3 Sewerage District No. 9 enterprise fund

Proprietary Funds -

Proprietary funds are used to account for ongoing operations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows. The two types of proprietary funds are enterprise and internal service funds. The Commission's funds are enterprise funds.

Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

Business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Basis of Accounting

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

D Assets, Liabilities and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposit. For the purpose of the cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year end.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond year end, are recorded as prepaid items.

Restricted Assets

Certain proceeds of enterprise fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Capital Assets

Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$2,500 for capitalizing assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation.

The range of estimated useful lives by type of asset is as follows:

Water system	20-50 years
Sewer System	50 years
Buildings	40 years
Improvements	20 years
Equipment and vehicles	5-20 years

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations.

Bad Debts

Uncollectible amounts due for customers' utility receivables are recognized as bad debts by direct write-off at the time information becomes available which would indicate the uncollectibility of the particular receivable. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

Compensated Absences

The Commission adopted an annual vacation and sick leave policy for all full-time employees. Vacation varies with the length of service and cannot be carried forward. Sick leave is accrued at a rate of one day per month and is allowed to accumulate up to 120 days. Up to 90 days of sick leave may be paid as a termination benefit upon retirement.

Long-term Debt

All long-term debt to be repaid from business-type resources is reported as liabilities. The long-term debt consists primarily of bonds payable.

Bond Issue Costs

Bond issue costs are being amortized by the straight-line method over the life of the related bond issue.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Equity Classifications

Equity is classified as net assets and displayed in three components

- a Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets
- b Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation
- c Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”

E Revenues and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenses

Expenses are classified by function for business-type activities. Expenses are further classified as operating and nonoperating.

Proprietary funds report expenses relating to use of economic resources.

F Budgets and Budgetary Accounting

Enterprise funds are not required under Louisiana Revised Statute 39:1301 et seq. to adopt a budget and the Commission has elected to not formally adopt a budget. Accordingly, budgeted figures are not presented in this financial report.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

G Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2011, the Commission has cash and interest-bearing deposits (book balances) totaling \$1,224,403 as follows:

Cash on hand	\$ 3,865
Demand deposits	671,934
Time deposits	<u>548,604</u>
Total cash	<u>\$ 1,224,403</u>

Under state law, deposits, (or the resulting bank balances) must be secured by federal deposit insurance or similar federal security or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the Commission or the pledging fiscal agent bank by a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at September 30, 2011, are secured as follows:

Bank balances	<u>\$ 1,228,884</u>
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At September 30, 2011, the deposits are secured as follows:

Federal deposit insurance	1,162,361
Pledged securities	<u>66,523</u>
Total	<u>\$ 1,228,884</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Commission's deposits may not be recovered or will not be able to recover collateral securities that are in the possession of an outside party. The Commission does not have a policy to monitor or attempt to reduce exposure to custodial credit risk. Since the Commission's total bank balances were fully insured or collateralized, the deposits are not exposed to custodial credit risk.

(3) Restricted Assets

Restricted assets consisted of the following at September 30, 2011

	<u>Cash</u>
<u>St. Mary Parish Water and Sewer Commission No. 4</u>	
Water improvement bonds	\$ 527,605
Customer security deposits	<u>75,775</u>
	603,380
<u>St. Mary Parish Waterworks District No. 6</u>	
Revenue bond reserve fund	24,710
Capital additions and contingencies fund	24,710
Customer security deposits	<u>70,658</u>
	120,078
<u>St. Mary Parish Sewer District No. 9</u>	
Sinking fund	7,020
Reserve fund	26,375
Contingency fund	<u>26,379</u>
	59,774
 Total	 <u>\$ 783,232</u>

(4) Interfund Receivables/Payables

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Business-type activities		
Operating fund	\$ -	\$ 138,990
Waterworks District No. 6	133,587	-
Sewerage District No. 9	<u>5,403</u>	<u>-</u>
Total interfund receivables/payables	<u>\$ 138,990</u>	<u>\$ 138,990</u>

These receivables and payables reverse in the normal course of operations. All remaining balances resulted from time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between the funds are made.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(5) Due from other Governmental Units

Amounts due from other governmental units at September 30, 2011 consisted of the following

Business-type activities

Operating fund

St Mary Parish Government	\$ <u>11,862</u>
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(6) Ad Valorem Taxes

The following is a summary of authorized and levied ad valorem tax millages

	<u>Authorized/ Levied Millage</u>
Commission taxes	
Debt millage	3 5
Operating millage	14 80
District taxes	
Bond and Interest-	
Waterworks District No 6 of the Parish of St Mary	7 54

Levied millages for debt taxes and bond and interest taxes are restricted to payment of principal and interest on general obligation bonds and are reported as nonoperating revenue on the statement of revenues, expenses and changes in net assets

Ad valorem taxes for the operation and maintenance millage are reported as operating revenue on the statement of revenues, expenses and changes in net assets

Total taxes of \$855,552 were levied on property having assessed taxable valuations totaling \$67,194,624

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(7) Capital Assets

Capital asset activity for the year ended September 30, 2011 was as follows

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land and improvements	\$ 6,926	\$ -	\$ -	6,926
Construction in progress	529,461	33,096	-	562,557
Total capital assets not being depreciated	536,387	33,096	-	569,483
Capital assets being depreciated				
Water system	10,134,105	25,236	10,285	10,149,056
Sewer system	7,147,665	6,328	-	7,153,993
Buildings	191,723	53,136	-	244,859
Improvements	367,865	7,744	-	375,609
Equipment and vehicles	1,791,610	-	-	1,791,610
Total capital assets being depreciated	19,632,968	92,444	10,285	19,715,127
Less accumulated depreciation for				
Water system	5,355,743	365,885	10,285	5,711,343
Sewer system	2,194,582	359,111	-	2,553,693
Buildings	8,591	3,682	-	12,273
Improvements	49,629	17,129	-	66,758
Equipment and vehicles	321,201	51,942	-	373,143
Total accumulated depreciation	7,929,746	797,749	10,285	8,717,210
Total capital assets being depreciated, net	11,703,222	(705,305)	-	10,997,917
Capital assets, net	\$ 12,239,609	\$ (672,209)	\$ -	\$ 11,567,400

Depreciation expense charged to the Commission's business-type activities for the year ended September 30, 2011 totaled \$797,749

The Commission has spent \$544,755 on a new meter project. A contract is in place however there is no upper limit of the commitment. The project is estimated to be completed in 2 years.

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(8) Deferred Bond Issue Costs

As described in Note 9, the Commission issued General Obligation Bonds, Series 2008 and Water Improvement Bonds, Series 2007 in a preceding year. Expenses, primarily legal fees, were incurred in connection with the issuance of the bonds. Accounting principles require such costs to be reported as deferred charges on the balance sheet and amortized from the date of sale until the maturity of the obligation.

At September 30, 2011, the Commission has unamortized deferred bond issue costs as follows:

	Water Improvement Bonds, 2007	General Obligation Bonds, 2008
Bond issue costs	\$ 5,600	\$ 21,422
Amortization recognized	(1,867)	(4,249)
	<u>\$ 3,733</u>	<u>\$ 17,173</u>

For the year ended September 30, 2011, amortization recognized for the Water Improvement and GO Bonds was \$373 and \$1,062 respectively.

(9) Changes in Long-Term Debt

The following is a summary of bond transactions of the Commission for the year ended September 30, 2011:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Water Improvement Bonds, Series 2007	\$ 295,000	\$ -	\$ 20,000	\$ 275,000	\$ 20,000
General Obligation Bonds, Series 2008	1,130,000	-	40,000	1,090,000	40,000
General Obligation Bonds, Series 2004	1,680,000	-	180,000	1,500,000	190,000
\$900,000 Water revenue notes payable	830,409	-	11,018	819,391	11,560
\$1,000,000 Sewer revenue bonds	898,652	-	14,334	884,318	14,992
\$100,000 Sewer revenue bonds	89,865	-	1,433	88,432	1,500
Compensated absences	83,965	5,720	-	89,685	-
	<u>\$5,007,891</u>	<u>\$ 5,720</u>	<u>\$ 266,785</u>	<u>\$4,746,826</u>	<u>\$ 278,052</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

Bonds payable at September 30, 2011 are comprised of the following individual issues

\$350,000 Water Improvement Bonds, Series 2007, dated 09/05/07, due in annual installments of \$16,000-\$30,000 through August 1, 2022, interest rate of 4 119% per annum, secured by system revenue	<u>\$ 275,000</u>
\$1,200,000 General Obligation Bonds, Series 2008, dated 03/01/08, due in annual installments of \$35,000-\$95,000 through March 1, 2028, interest rate of 3 94% per annum, secured by ad valorem taxation	<u>\$ 1,090,000</u>
\$1,290,000 General Obligation Refunding Bonds, Series 2004, issued March 2004, payable in annual installments of \$5,000 to \$160,000 from 2005 to 2015, semi-annual interest payable at 3 40% per annum The bonds maturing March 2010 and thereafter are callable in full, or in part after March 2009, secured by ad valorem tax revenues	590,000
\$1,200,000 General Obligation Bonds, Series 2004, issued March 2004 for construction improvements to the waterworks plant and system, payable in annual installments of \$35,000 to \$95,000 from 2005 to 2024, semi-annual interest payable at 1 00% to 6 00% per annum The bonds maturing March 2015 and thereafter are callable for redemption in full, or in part, after March 2014, secured by ad valorem tax revenues	<u>910,000</u>
Total General Obligation bonds, Series 2004	<u>\$ 1,500,000</u>
\$900,000 Water Revenue Notes Payable, issued for constructing improvements to the waterworks plant and system, payable in Monthly installments of \$4,230 from 2003 to 2043, with interest at 4 75% per annum, secured by system revenues	<u>\$ 819,391</u>
\$1,000,000 Sewerage Revenue Bonds, due in monthly installments of \$4,540 beginning January 5, 2002, one payment of interest of \$45,000 due December 5, 2001, bond is payable over 40 years, interest rate of 4 50% per annum	<u>\$ 884,318</u>
\$100,000 Sewerage Revenue Bonds, due in monthly installments of \$454 beginning January 5, 2002, one payment of interest of \$4,500 due December 5, 2001, bond is payable over 40 years, interest rate of 4 50% per annum	<u>\$ 88,432</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

The bonds are due as follows

Year Ending September 30,	Water Improvement Bonds		General Obligation Bonds		Revenue Bonds/Notes		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 20,000	\$ 11,484	\$ 230,000	\$ 101,880	\$ 28,051	\$ 82,637	\$ 474,052
2013	21,000	11,092	240,000	93,320	28,378	82,310	476,100
2014	22,000	10,179	250,000	83,592	31,768	78,920	476,459
2015	23,000	9,222	265,000	73,670	32,224	78,464	481,580
2016	24,000	8,221	110,000	66,588	33,747	76,941	319,497
2017 - 2021	135,000	24,578	655,000	255,896	194,250	359,190	1,623,914
2022 - 2026	30,000	1,306	655,000	98,021	244,767	308,673	1,337,767
2027 - 2031	-	-	185,000	7,388	308,436	245,003	745,827
2032 - 2036	-	-	-	-	388,696	164,744	553,440
2037 - 2041	-	-	-	-	440,338	64,386	504,724
2042 - 2043	-	-	-	-	61,486	1,993	63,479
	<u>\$ 275,000</u>	<u>\$ 76,082</u>	<u>\$ 2,590,000</u>	<u>\$ 780,355</u>	<u>\$1,792,141</u>	<u>\$ 1,543,261</u>	<u>\$7,056,839</u>

(10) Interfund Transfers

	Transfers In	Transfers Out
Operating Fund	\$ -	\$ 124,268
Waterworks District No 6	56,895	-
Sewerage District No 9	67,373	-
Total	<u>\$ 124,268</u>	<u>\$ 124,268</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(11) Employee Retirement

All full-time employees of the Commission participate in the Parochial Employees' Retirement System of Louisiana (Plan B). This system is a multiple-employer public retirement system (PERS) and is controlled and administered by a separate board of trustees.

Plan members are required to contribute 3.0 percent of their annual covered salary to the system while the Commission is required to contribute the statutory rate of 10 percent of the total annual covered salary. The Commission's contributions to the system for the years ended September 30, 2011, 2010, and 2009, were \$49,384, \$42,699, and \$31,300, respectively.

A publicly available financial report that includes financial statements and required supplemental financial information may be obtained by writing to the Parochial Employees' Retirement System, P O Box 14619, Baton Rouge, Louisiana 70898-4619.

(12) Contingencies

The Commission operates a water and sewerage plant, which are regulated by the Department of Environmental Quality and the Environmental Protection Agency. In the opinion of the Board of Commissioners, all applicable regulations have received full compliance, however, due to the complexity of the regulations, differing interpretations of the regulations by DEQ and/or the EPA may result in instances of noncompliance.

(13) Compensation Paid to Board Members

The schedule of compensation paid to the board of commissioners is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. Louisiana Revised Statute 33:7833 limits compensation paid to board members, with the approval of the board, for per diem and travel allowance to an amount not to exceed \$250 per month.

Thomas Ducote, President	\$ 3,034
Anthony Darden, Vice President	2,100
Willie Scott, Secretary/Treasurer	2,400
Julius Hebert	1,925
Clarence Mathews	1,925
Stephanie Burney	2,100
Camile Punch	1,750
	<u>\$ 15,234</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Notes to Financial Statements (continued)

(14) Related Party Activity

Parish of St Mary ("Parish")

Capital Transfers

The Parish transferred \$11,862 to the Commission for the construction of a shed to house the generator. Such transfers are recognized as a component of nonoperating revenue in the Commission's financial statements as Intergovernmental revenue.

(15) Intergovernmental Agreement

On March 1, 1995, the Sewerage District No. 9 of the Parish of St. Mary entered into an agreement with the Sovereign Nation of the Chitimacha (Chitimacha Tribe of Louisiana) for the construction, operation and maintenance of sanitary sewerage collection and treatment facilities. The agreement shall be binding on the District and Tribe for a period of 40 years unless renewed upon mutual consent or terminated by agreement between the parties. The agreement provides for the designation of the components of the proposed sewerage works as joint-service components and non joint-service components. Non joint-service components service either the District or the Tribe, but not both parties. Joint-service components service both the District and the Tribe. The agreement provides that the District and the Tribe will each be responsible for the construction, maintenance and operation of the non joint-service components that service their customers only. The District is responsible for the construction, administration, operation and maintenance of the joint service components. The costs associated with the construction of the sewer treatment facility shall be shared equally by the District and the Tribe up to \$425,000 each. If actual construction costs exceed 10 percent of the projected cost to construct the facility, the parties shall have the right to renegotiate the cost sharing arrangements. The Tribe shall contribute a lump sum amount of \$35,000 as its share of costs related to the construction of other joint service components such as regional pump stations and regional force mains to be constructed under the agreement and that may be constructed in the future over an anticipated 20 year period. For the treatment facility and the other joint service components, ownership shall vest to the District and the Tribe in relation of their cost contribution in proportion to the total costs of the construction.

Subject to the direction of the Management Committee, made up of one representative from the District and one from the Tribe, the District shall be responsible for the proper physical operation and maintenance of all joint service components constructed under the agreement. The District shall determine, establish and institute an equitable system of user charges for the users of the facilities for the payment of the necessary costs of operation and maintenance of the joint service components. The Tribe shall, on a monthly basis, pay to the District their pro-rata share of the costs of operating and maintaining the joint service components. The pro-rata share of the costs shall be determined based on the proportionate burden placed on the facility by the sewer customers of each of the parties as indicated by flow measurements. The District shall pay all costs of operation and maintenance of the facility as they become due and payable and shall submit to the Tribe, monthly, following such payment, an itemized statement showing such costs.

OTHER SUPPLEMENTARY INFORMATION

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Operating Fund
Balance Sheet
September 30, 2011

With Comparative Totals as of September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and interest-bearing deposits	\$ 212,633	\$ 174,817
Receivables		
Accounts	159,662	134,844
Ad valorem taxes, net	-	8,370
Due from other governmental units	11,862	6,054
Prepaid expenses	24,475	21,494
Restricted assets		
Cash and interest-bearing deposits	<u>527,605</u>	<u>767,361</u>
Total current assets	<u>936,237</u>	<u>1,112,940</u>
Noncurrent assets		
Restricted assets		
Cash and interest-bearing deposits	75,775	24,289
Capital assets		
Capital assets not being depreciated	562,557	529,461
Capital assets, net of accumulated depreciation	<u>1,255,339</u>	<u>1,243,655</u>
Total noncurrent assets	<u>1,893,671</u>	<u>1,797,405</u>
Other assets		
Deferred bond issue costs, net	<u>20,906</u>	<u>22,342</u>
Total assets	<u>\$2,850,814</u>	<u>\$2,932,687</u>

(continued)

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Operating Fund
Balance Sheet (continued)

September 30, 2011

With Comparative Totals as of September 30, 2010

LIABILITIES AND NET ASSETS	<u>2011</u>	<u>2010</u>
Current liabilities		
Accounts payable	\$ 61,660	\$ 288,685
Due to other funds	138,990	-
Due to other governmental units	47,099	168,478
Accrued liabilities	24,657	26,437
Payable from restricted assets		
Current maturities of bonds payable	60,000	60,000
Accrued interest	5,294	5,503
Refundable deposits	<u>38,046</u>	<u>24,196</u>
Total current liabilities	<u>375,746</u>	<u>573,299</u>
Long-term liabilities		
Water improvement bonds payable	255,000	275,000
General obligation bonds payable	1,050,000	1,090,000
Compensated absences	<u>24,800</u>	<u>19,080</u>
Total long term liabilities	<u>1,329,800</u>	<u>1,384,080</u>
 Total liabilities	 <u>1,705,546</u>	 <u>1,957,379</u>
Net assets		
Invested in capital assets, net of related debt	844,075	764,432
Restricted for debt service	168,861	110,670
Unrestricted	<u>132,332</u>	<u>100,206</u>
Total net assets	<u>1,145,268</u>	<u>975,308</u>
 Total liabilities and net assets	 <u>\$ 2,850,814</u>	 <u>\$ 2,932,687</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Operating Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Ad valorem taxes - operating, net	\$ 473,855	\$ 511,463
Water sales	866,644	848,573
Sewer user and inspection fees	378,805	369,946
Commissions and fees for services	<u>37,682</u>	<u>34,108</u>
Total operating revenues	<u>1,756,986</u>	<u>1,764,090</u>
OPERATING EXPENSES		
Salaries and related benefits	681,485	723,972
Supplies and materials	8,454	7,595
Operation and maintenance	332,546	177,639
Other services and charges	162,444	150,097
Plant operation	276,528	310,010
Depreciation	<u>80,759</u>	<u>70,253</u>
Total operating expenses	<u>1,542,216</u>	<u>1,439,566</u>
Operating income	<u>214,770</u>	<u>324,524</u>
NONOPERATING REVENUES (EXPENSES)		
Ad valorem taxes - debt service, net	108,437	120,954
Bad debts	-	(18,972)
Bond interest and fiscal charges	(55,401)	(57,709)
Bond issue costs	(1,435)	(1,435)
Interest income	4,122	11,274
Intergovernmental revenue	11,862	218,997
Intergovernmental transfers	-	(124,366)
Miscellaneous income	<u>11,873</u>	<u>9,941</u>
Total nonoperating revenue (expense)	<u>79,458</u>	<u>158,684</u>
Income (Loss) before contributions and transfers	<u>294,228</u>	<u>483,208</u>
Transfers out	<u>(124,268)</u>	<u>-</u>
Change in net assets	169,960	483,208
NET ASSETS, beginning	<u>975,308</u>	<u>492,100</u>
NET ASSETS, ending	<u>\$ 1,145,268</u>	<u>\$ 975,308</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Operating Fund
Statement of Cash Flows
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Revenue collected	\$ 1,258,313	\$ 1,222,625
Ad valorem tax receipts	482,225	511,463
Payments for goods and services	(1,037,056)	(413,840)
Payments to employees	<u>(675,765)</u>	<u>(723,972)</u>
Net cash provided by operating activities	<u>27,717</u>	<u>596,276</u>
NONCAPITAL FINANCING ACTIVITIES		
Proceeds from customer deposits	13,850	10,111
Miscellaneous receipts	11,873	9,941
Intergovernmental grants and transfers	-	(124,366)
Receipts from other funds	42,909	-
Payments to other funds	(124,268)	-
Receipts from nonoperating taxes	<u>108,437</u>	<u>120,954</u>
Net cash provided by noncapital financing activities	<u>52,801</u>	<u>16,640</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(125,539)	(812,466)
Intergovernmental revenues	6,054	218,997
Interest and fiscal charges paid	(55,610)	(57,883)
Principal payments on bonds	<u>(60,000)</u>	<u>(55,000)</u>
Net cash used in capital and related financing activities	<u>(235,095)</u>	<u>(706,352)</u>
INVESTING ACTIVITIES		
Interest received	<u>4,122</u>	<u>11,275</u>
Net decrease in cash	(150,455)	(82,161)
Cash and cash equivalents, beginning	<u>966,468</u>	<u>1,048,629</u>
Cash and cash equivalents, end	<u>\$ 816,013</u>	<u>\$ 966,468</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Operating Fund
Statement of Cash Flows (continued)
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating income	\$ 214,770	\$ 324,524
Adjustment to reconcile operating income to net cash provided (used) by operating activities -		
Depreciation	80,759	70,253
Provision for uncollectible accounts	-	(27,342)
Changes in assets and liabilities		
Decrease (Increase) in receivables	(16,448)	3,394
Increase in prepaid expenses and other assets	(2,981)	(6,153)
Increase (Decrease) in accounts payable	(227,025)	246,355
Increase in accrued liabilities	3,940	14,886
Decrease in due to other governmental entities	<u>(25,298)</u>	<u>(29,641)</u>
Net cash provided (used) by operating activities	<u>\$ 27,717</u>	<u>\$ 596,276</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Waterworks District No 6 Enterprise Fund
Balance Sheet
September 30, 2011
With Comparative Totals as of September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 227,938	\$ 221,450
Receivables		
Due from other funds	133,587	96,082
Restricted assets		
Cash	49,420	150,770
Total current assets	<u>410,945</u>	<u>468,302</u>
Noncurrent assets		
Restricted assets		
Cash	70,658	-
Capital assets		
Capital assets, net of accumulated depreciation	6,926	6,926
Capital assets not being depreciated	4,121,120	4,468,351
Total noncurrent assets	<u>4,198,704</u>	<u>4,475,277</u>
Total assets	<u>\$4,609,649</u>	<u>\$4,943,579</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Current maturities of bonds payable	\$ 201,560	\$ 191,018
Accrued interest	8,274	8,801
Payable from restricted assets		
Refundable deposits	98,046	97,789
Total current liabilities	<u>307,880</u>	<u>297,608</u>
Noncurrent liabilities		
Bonds payable	2,117,831	2,319,391
Compensated absences	64,885	64,885
Total noncurrent liabilities	<u>2,182,716</u>	<u>2,384,276</u>
Total liabilities	<u>2,490,596</u>	<u>2,681,884</u>
Net Assets		
Invested in capital assets, net of related debt	1,808,655	1,957,942
Restricted	120,078	44,051
Unrestricted	190,320	259,702
Total net assets	<u>2,119,053</u>	<u>2,261,695</u>
Total liabilities and net assets	<u>\$4,609,649</u>	<u>\$4,943,579</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Waterworks District No 6 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING EXPENSES		
Other services and charges	\$ 9,081	\$ 10,059
Depreciation	<u>347,231</u>	<u>355,104</u>
Total operating expenses	<u>356,312</u>	<u>365,163</u>
Operating loss	<u>(356,312)</u>	<u>(365,163)</u>
NON-OPERATING REVENUES (EXPENSES)		
Ad valorem taxes	260,025	286,321
Bond interest and fiscal charges	(104,902)	(110,901)
Interest income	1,652	9,797
Intergovernmental grants	<u>-</u>	<u>56,993</u>
Total non-operating revenues (expenses)	<u>156,775</u>	<u>242,210</u>
Loss before operating transfers	(199,537)	(122,953)
Transfers in	<u>56,895</u>	<u>-</u>
Change in net assets	(142,642)	(122,953)
NET ASSETS, beginning	<u>2,261,695</u>	<u>2,384,648</u>
NET ASSETS, ending	<u>\$2,119,053</u>	<u>\$2,261,695</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Waterworks District No 6 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Payments for goods and services	\$ (9,081)	\$ (10,059)
NON-CAPITAL FINANCING ACTIVITIES		
Receipts from other funds	56,895	56,993
Payments to other funds	(37,505)	-
Receipts from non-operating taxes	<u>260,282</u>	<u>286,321</u>
Net cash provided by non-capital financing activities	<u>279,672</u>	<u>343,314</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest and fiscal charges paid	(105,429)	(111,357)
Principle paid on bonds	<u>(191,018)</u>	<u>(180,500)</u>
Net cash used for capital and related financing activities	<u>(296,447)</u>	<u>(291,857)</u>
INVESTING ACTIVITIES		
Interest received	<u>1,652</u>	<u>9,797</u>
Net increase in cash and cash equivalents	(24,204)	51,195
Cash and cash equivalents, beginning	<u>372,220</u>	<u>321,025</u>
Cash and cash equivalents, ending	<u>\$ 348,016</u>	<u>\$ 372,220</u>
Reconciliation of operating loss to net cash used for operating activities		
Operating loss	\$ (356,312)	\$ (365,163)
Adjustment to reconcile operating loss to net cash provided by operating activities - Depreciation	<u>347,231</u>	<u>355,104</u>
NET CASH USED FOR OPERATING ACTIVITIES	<u>\$ (9,081)</u>	<u>\$ (10,059)</u>

ST MARY PARISH WATER AND SEWER DISTRICT NO 4
Charenton, Louisiana

Sewerage District No 9 Enterprise Fund
Balance Sheet
September 30, 2011
With Comparative Totals as of September 30, 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Current assets		
Cash and interest-bearing deposits	\$ 600	\$ 4,481
Due from other funds	5,403	-
Restricted assets		
Cash - contingency, reserve, and sinking funds	<u>59,774</u>	<u>52,929</u>
Total current assets	<u>65,777</u>	<u>57,410</u>
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>5,621,458</u>	<u>5,991,217</u>
Total assets	<u>\$5,687,235</u>	<u>\$6,048,627</u>
LIABILITIES		
Current liabilities		
Current portion of revenue bonds payable	\$ 16,492	\$ 15,767
Noncurrent liabilities		
Revenue bonds payable	<u>956,258</u>	<u>972,750</u>
Total liabilities	<u>972,750</u>	<u>988,517</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,648,708	5,002,701
Restricted for debt service	59,774	52,929
Unrestricted	<u>6,003</u>	<u>4,480</u>
Total net assets	<u>4,714,485</u>	<u>5,060,110</u>
Total liabilities and net assets	<u>\$5,687,235</u>	<u>\$6,048,627</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Sewerage District No 9 Enterprise Fund
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	<u>2011</u>	<u>2010</u>
OPERATING REVENUES		
Miscellaneous	\$ 922	\$ -
OPERATING EXPENSES		
Depreciation	369,759	369,759
Office supplies	-	67
Total operating expenses	<u>369,759</u>	<u>369,826</u>
Operating loss	<u>(368,837)</u>	<u>(369,826)</u>
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	-	67,374
Interest expense	<u>(44,161)</u>	<u>(44,854)</u>
Net nonoperating revenue	<u>(44,161)</u>	<u>22,520</u>
Loss before operating transfers	(412,998)	(347,306)
Transfers in	<u>67,373</u>	<u>-</u>
Change in net assets	(345,625)	(347,306)
NET ASSETS, beginning	<u>5,060,110</u>	<u>5,407,416</u>
NET ASSETS, ending	<u>\$4,714,485</u>	<u>\$5,060,110</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Sewerage District No 9 Enterprise Fund
Statement of Cash Flows
Year Ended September 30, 2011
With Comparative Totals for the Year Ended September 30, 2010

	2011	2010
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 922	\$ -
Payments for goods and services	<u>-</u>	<u>(67)</u>
Net cash provided (used) in operating activities	<u>922</u>	<u>(67)</u>
NONCAPITAL FINANCING ACTIVITIES		
Receipts from other funds	67,373	-
Payments to other funds	(5,403)	-
Intergovernmental revenues	<u>-</u>	<u>67,374</u>
Net cash provided (used) by noncapital financing activities	<u>61,970</u>	<u>67,374</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on capital debt	(15,767)	(15,074)
Interest paid on capital debt	<u>(44,161)</u>	<u>(44,855)</u>
Net cash used in capital and related financing activities	<u>(59,928)</u>	<u>(59,929)</u>
Net increase in cash	2,964	7,378
Cash and cash equivalents, beginning	<u>57,410</u>	<u>50,032</u>
Cash and cash equivalents, end	<u>\$ 60,374</u>	<u>\$ 57,410</u>
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (368,837)	\$ (369,826)
Adjustment to reconcile operating loss to net cash provided by operating activities -		
Depreciation	<u>369,759</u>	<u>369,759</u>
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	<u>\$ 922</u>	<u>\$ (67)</u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Number of Customers
(Unaudited)
September 30, 2011

On January 12, 2007, the St Mary Parish Council adopted Ordinance No 1753 creating St Mary Parish Water and Sewer Commission No 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No 6 of the Parish of St Mary, Sewerage District No 9 of the Parish of St Mary, Sewerage District No 7 of the Parish of St Mary and portions of the boundaries of the previously abolished Sewerage District No 10 of the Parish of St Mary Effective July 1, 2007, Water and Sewer Commission No 4 began operations and effectively terminated the operations of Waterworks District No 6, Sewerage District No 9, and Sewerage District No 7

Records maintained by the Commission indicate the following number of residential and non-residential water customers were being served during the month of September, 2011 were as follows

	<u>Water</u>	<u>Sewer</u>
Residential	2,245	487
Non-residential	<u>150</u>	<u>14</u>
Total	<u><u>2,395</u></u>	<u><u>501</u></u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Insurance in Force
(Unaudited)
September 30, 2011

On January 12, 2007, the St Mary Parish Council adopted Ordinance No 1753 creating St Mary Parish Water and Sewer Commission No 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No 6 of the Parish of St Mary, Sewerage District No 9 of the Parish of St Mary, Sewerage District No 7 of the Parish of St Mary and portions of the boundaries of the previously abolished Sewerage District No 10 of the Parish of St Mary Effective July 1, 2007, Water and Sewer Commission No 4 began operations and effectively terminated the operations of Waterworks District No 6, Sewerage District No 9, and Sewerage District No 7

The insurance for the District is now accounted for in Water and Sewer Commission No 4 and is as follows

<u>Description of Coverage</u>	<u>Expiration Date</u>	<u>Coverage Amounts</u>
General Liability	2/25/2012	\$ 300,000 00
Surety Bonds-		
Blanket coverage of Board of Directors		60,000
Public Officials and Employees		3,000,000
Employee Theft	3/6/2012	42,000 per occurrence
Real and Personal Property	2/26/2012	Replacement Cost

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Aged Accounts
(Unaudited)
September 30, 2011

On January 12, 2007, the St Mary Parish Council adopted Ordinance No 1753 creating St Mary Parish Water and Sewer Commission No 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No 6 of the Parish of St Mary, Sewerage District No 9 of the Parish of St Mary, Sewerage District No 7 of the Parish of St Mary and portions of the boundaries of the previously abolished Sewerage District No 10 of the Parish of St Mary Effective July 1, 2007, Water and Sewer Commission No 4 began operations and effectively terminated the operations of Waterworks District No 6, Sewerage District No 9, and Sewerage District No 7

Billings and collections relative to revenues and receivables are being accounted for in Water and Sewer Commission No 4 Aged receivables were as follows at September 30, 2011

Under 30 days	\$ 97,672
31 to 60 days	4,330
61 to 90 days	1,636
91 to 120 days	663
Over 120 days	<u>(4,953)</u>
Subtotal	99,348
Accrual for unbilled receivables	<u>60,314</u>
Total receivables	<u><u>\$ 159,662</u></u>

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Water and Sewer Rates
(Unaudited)
September 30, 2011

On January 12, 2007, the St Mary Parish Council adopted Ordinance No 1753 creating St Mary Parish Water and Sewer Commission No 4 and providing the commission jurisdiction over all works and facilities for water, sewer, and sewerage disposal and treatment facilities now owned or operated by Waterworks District No 6 of the Parish of St Mary, Sewerage District No 9 of the Parish of St Mary, Sewerage District No 7 of the Parish of St Mary and portions of the boundaries of the previously abolished Sewerage District No 10 of the Parish of St Mary Effective July 1, 2007, Water and Sewer Commission No 4 began operations and effectively terminated the operations of Waterworks District No 6, Sewerage District No 9, and Sewerage District No 7

Residential and non-residential

\$12 50 per month for the first 2,000 gallons

\$2 50 per thousand or part thereof over 2,000 gallons

INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
St. Mary Parish Water and Sewer Commission No. 4
Charenton, Louisiana

We have audited the financial statements of the business-type activities and each major fund of the St. Mary Parish Water and Sewer Commission No. 4, (hereinafter "Commission"), a component unit of the Parish of St. Mary as of and for the year ended September 30, 2011, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of audit results and findings, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of audit results and findings as item 2011-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Commission's response to the finding identified in our audit is described in the accompanying corrective action plan for current year findings. We did not audit the Commission's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Board of Commissioners, management and others within the organization, the St. Mary Parish Council, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report may be limited under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document in accordance with Louisiana Revised Statute 44:6.

Kolder, Champagne, Slaven & Company, LLC

Certified Public Accountants

Morgan City Louisiana
March 13, 2012

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Audit Results and Findings
Year Ended September 30, 2011

Part I Summary of auditor's results

An unqualified opinion was issued on the financial statements of the Commission's business-type activities and each major fund (Operating fund, Waterworks District No 6 enterprise fund, and Sewerage District No 9 enterprise fund)

A deficiency in internal control was disclosed by the audit of the financial statements and it is considered to be a material weakness

There were no instances of noncompliance required to be reported under *Government Auditing Standards*

A management letter was not issued

Part II Findings required to be reported in accordance with *Government Auditing Standards*

A Internal Control

2011-1 - Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated

CRITERIA Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The Commission's internal control over financial reporting includes those policies and procedures that pertain to the Commission's ability to record, process, summarize, and report financial data consistent with the assertions embodied in financial statements

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control

EFFECT Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected

RECOMMENDATION Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2011

B Compliance

No compliance issues are reported

Part III Findings and questioned costs for Federal awards reported in accordance with Office of Management and Budget Circular A-133

The requirements of OMB Circular A-133 do not apply to the Commission

ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana

Schedule of Audit Results and Findings (continued)
Year Ended September 30, 2011

A Internal Control-

2010-01 - Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated

RECOMMENDATION Due to the size of the operation and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties

CURRENT STATUS See schedule of audit results and findings item 2011-01

2010-02 - Application of GAAP

CONDITION Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process

RECOMMENDATION The additional costs required to achieve the desired benefit may not be economically feasible

CURRENT STATUS Finding is no longer applicable

B Compliance-

There were no findings previously reported under this section

C OMB A-133 –

This section was not applicable

**ST MARY PARISH WATER AND SEWER COMMISSION NO 4
Charenton, Louisiana**

**Corrective Action Plan for Current Year Findings
Year Ended September 30, 2011**

Response to Finding 2011-01

Due to the size of the operation and the cost-benefit of additional personnel, it is not feasible to achieve complete segregation of duties